

# **Iowa EIP Planning and Implementation Pre-Draft Report**

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## **Abstract**

**Methodology**

## **Funding Methodologies**

### ***Initiative***

Develop a project timeline for the conversion to change funding methodologies to allow more fiscal and management efficiencies. Tracking of funds spent on technology is currently very difficult. The overall funding process must be simplified. Develop an Enterprise Portfolio Management Office (EPfMO) to better utilize resources and derive higher levels of successful operation. An enterprise portfolio management approach along with a Project Management Office (PMO) is required to enable significant increases in project success and fulfillment.

A Departmental budget for Information Technology is the initiation point to ensure all services required for department/agency requirements are defined, funded and provided by the Information Technology Enterprise.

### ***Team Mission Statement***

The Funding Methods Implementation and Migration Planning team will identify a list of considerations and a project timeline for development of new statewide funding practices and policies for technology. This will enable Iowa's Executive branch to utilize resources and derive higher levels of successful operation resulting in a more defined and accountable funding process.

### ***Enterprise Portfolio Management Office Model***

Enterprise Portfolio Management provides the State with a methodology to define, select, prioritize, measure and recognize value from technology and business investments. This program will be managed by the Enterprise Portfolio Management Office (EPfMO).

Portfolio management allows control of technology and business project investments to ensure the delivery of meaningful value to the State. Portfolio management takes a holistic view of the State's overall technology and business investment strategy. Within this framework, IT and Department leaders examine and evaluate project proposals to ensure that they are aligned with the State's strategic objectives. The portfolio is constantly monitored to assess which projects are on track, which need help and which should be shut down. A strong Portfolio Management program can provide the following benefits:

- Maximize value of IT investments while minimizing the risk.
- Improve communication and alignment between IT and department business leaders.
- Encourage department business leaders to think Enterprise versus Departmental taking ownership for projects.
- Allow planners to schedule resources more efficiently.
- Reduce the number of redundant projects and make it easier to terminate unnecessary or non-value projects.

- Ensure accountability and alignment between the IT organization and the needs of the State.

## Funding and Budgeting for Technology

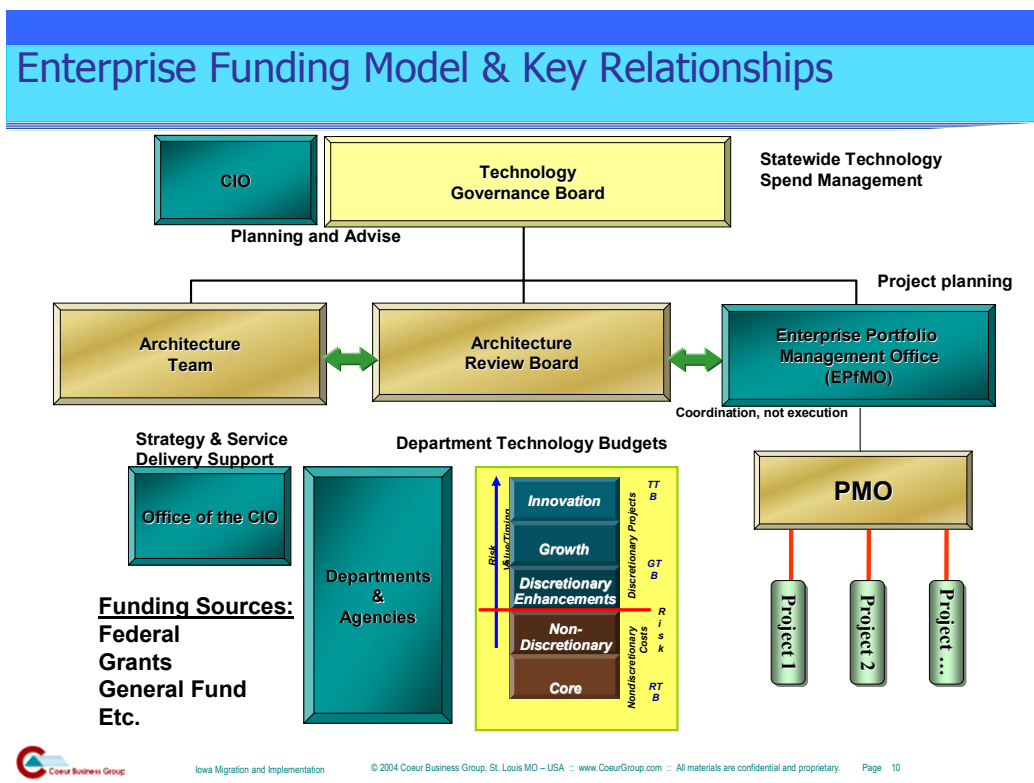
Three areas are critical for funding and budgeting for technology on a statewide basis.

These include:

**Process** – Clearly define the role of the Technology Governance Board, Departments, the Statewide CIO, and others in the budget process. Establish a Technology Priority List and a Technology Budget Plan.

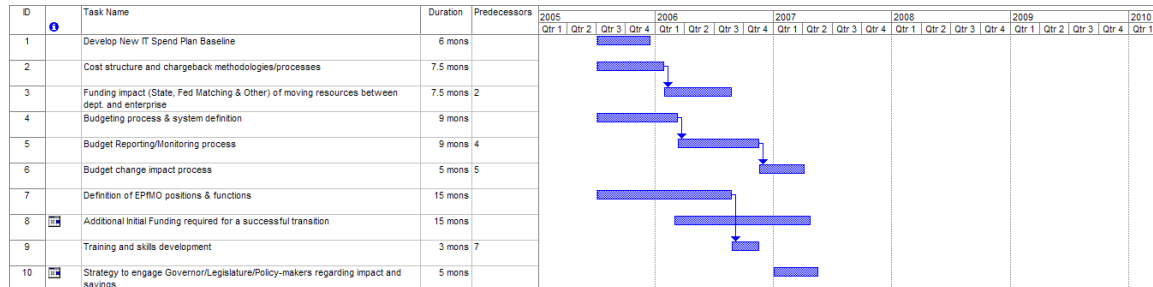
**Appropriations** – First, establish a clear forum (i.e. The Technology Governance Board) and process for funding all technology projects regardless of funding source. Secondly, appropriations, both Capital and Operating, may be made directly to a Technology Investment Pool Account.

**Performance Management and Tracking** – Funding should be tied to business needs assessment, risk management, quality assurance, and post implementation review. These activities are the essential purview of the Enterprise Portfolio Management Office. Tracking funding by Portfolio (multiple projects of common focus) is the only proven method to monitor progress of technology projects and enforce quality assurance techniques as well as value returns for the states investments.



The Enterprise Funding and budget model shown above provides an overview of the key items which are addressed by the key funding activities defined within the Implementation and Migration Planning teams session recommendations.

## Activity Level Project Timeline



## Description of Activities

### 1. Develop New IT Spend Plan Baseline

#### Description

The initial Baseline of IT spending was not done consistently across departments. Also, types of funding currently being used were not addressed (i.e., Federal, Road Use Tax, Asset Forfeiture, etc.). A new baseline of spending needs to be prepared using consistent methods, along with the type of funding tied to the spending.

#### Risk

Medium

#### Considerations

Common definition and understanding of IT costs, ability to find the detail IT costs in current budget/accounting systems

**Expected Outcome:** Accurate baseline of current statewide IT expenditure.

**Timeframe:** 6 months

**Cost:** \$25,000/2400 Hours

### 2. Cost structure and Expenditure Tracking Methodologies

#### Description

A system will need to be developed which will track central IT expenditures to the level of detail necessary for user agencies to direct charges to eligible funding sources. The system will need to include a time reporting component that tracks personnel time by function by user agency cost center. A system for allocating non-personnel direct and indirect costs will also have to be developed. This system will have to result in a billing to the department that is compatible with their existing cost structure. (I.e. cost center to cost center). Contingent on the methodology for funding the IT organization this may mean a process for developing a rate/cost structure.

Utilize existing fund and detail account code structures available in I/3 to track IT expenditures for all IT projects and acquisitions. I/3's Data Warehouse is the reporting mechanism available to create periodic ad hoc and canned reports based on the account code structures used to

track IT related transactions.	
<b><i>Risk</i></b>	
High	
<b><i>Considerations</i></b>	
The IT organization will need to define organizational structure, develop the systems and increase the level of oversight necessary to insure that costs and time are properly billed. Coordination with Governance team.	
<b><i>Expected Outcome:</i></b>	A process that defines the statewide IT cost structure, including departmental versus IT organizations costs, direct and indirect cost rates, cost reporting mechanisms and an auditable interdepartmental billing system
<b><i>Timeframe:</i></b>	6-9 months/720 Hours
<b><i>Cost:</i></b>	\$75,000

<b><i>3. Funding impact (State, Fed Matching &amp; Other) of moving resources between dept. and enterprise</i></b>	
<b><i>Description</i></b>	
<p>Many funding streams are program specific and may not allow their consolidation to support statewide IT. Identify and delineate the multiple funding sources and their associated provisions, regulations and restrictions for executive branch departments. Several agencies use funding sources other than the general fund. These funds can only be used for specific purposes according to Iowa Code, federal regulations and the Iowa Constitution. These funding restrictions need to be identified so that an accurate financing scenario can be established.</p> <p>As resources are redirected from their current agency/program to a central oversight entity the potential exists for the loss of federal and other dedicated funds. Allocation and costing methodologies will be needed to be developed that mitigate any negative financial impact to the state and individual agencies. Identify and establish business processes and system modifications required to provide transparency of cost from service provider to departments and agencies receiving/purchasing technology services.</p>	
<b><i>Risk</i></b>	
Low	
<b><i>Considerations</i></b>	
Defined organizational structure, coordination with Governance team	
<b><i>Expected Outcome:</i></b>	Budget and accounting systems that allow unrestricted access to funding sources and chargeback process that maximizes cost recovery.
<b><i>Timeframe:</i></b>	6-9 months
<b><i>Cost:</i></b>	\$90,000/640 Hours



#### **4. Budgeting process & system definition**

##### **Description**

Explore and recommend the appropriate funding approaches for the various levels of the proposed model. Develop a common statewide definition of IT expense. Develop a detail description of IT expenses to be accounted for in the budget process and expense tracking system. Definition needs to address hardware, application, FTE/position classification, non-IT classifications such as task-oriented duties, and other "IT" related expenses based on current practice and future needs. Identify how the budgets are prepared, who prepares it and who approves it at various levels in the proposed model. Identify budget/fiscal system current capabilities and enhancements needed to successfully budget and account for IT expenses based on the proposed model. Identify levels of control and change authority.

##### **Risk**

Low

##### **Considerations**

Impact on I3 system, coordination with Governance team

**Expected Outcome:** Budget process that accommodated the needs of the department and IT spending and project management requirements of EPfMO

**Timeframe:** 6-12 months

**Cost:** \$25,000/800 Hours

#### **5. Budget Reporting/Monitoring process**

##### **Description**

The EPfMO requires specific project information to be able to identify funding availability and prioritize projects for budgeting purposes. It also requires this same level of detail from the accounting system to manage ongoing projects. Identify and develop budget process and system changes that are required to allow departmental operations and project performance reporting and expenditure monitoring. Many IT projects are part of federal grant awards or indirect cost recovery budgets. As such they are not specifically identified and tracked as part of the budget development process. Since these projects are not tracked in the budget system they generally are not tracked at a project level in the accounting system.

##### **Risk**

Medium

##### **Considerations**

Development of necessary tools and process, coordination with Governance team

**Expected Outcome:** Ability to track IT spending and projects on a statewide basis

**Timeframe:** 6-12 months

**Cost:** \$10,000/800 hours

## **6. Budget change impact process**

### **Description**

This activity includes changes that occur to appropriations after the start of a fiscal year. Most frequently the changes will result from decreases in funds available, i.e., across the board reductions. Prioritization of the application of the reductions and managing the impact on IT rates will be two of the major issues. Identify and develop a methodology to reflect budget changes in both the departmental operational and project budgets, as well as any interdepartmental service charge rates.

### **Risk**

High

### **Considerations**

Activity not performed currently, competing priorities and coordination with Governance team

#### **Expected Outcome:**

Effective process for quickly reflecting funding changes in the IT operations and project budgets, as well as the interdepartmental rate structure

#### **Timeframe:**

4-6 months

#### **Cost:**

\$0/300 Hours

## **7. Definition of EPfMO positions & functions**

### **Description**

The Enterprise Portfolio Management Organization will accumulate an inventory of IT projects and review new undeveloped projects avoiding duplication of effort. The EPfMO will review the resources necessary for new projects, track the project budgets, procure additional resources if necessary, and establish departmental chargeback and reimbursement mechanisms. Define functional position and certification requirements. Define relational and process interconnects with departments/agencies and governance board.

### **Risk**

High

### **Considerations**

Defined organizational structure, coordination with Governance team.

#### **Expected Outcome:**

Ability to select prioritize and manage project and IT expenditures to ensure they align with Statewide business stately.

#### **Timeframe:**

12-18 months

#### **Cost:**

\$300,000/640 Hours

## **8. Additional Initial Funding required for a successful transition**

### **Description**

Identify all the transition costs of moving to the service provider organization. Coordinate

development of detail estimates with other Planning and Implementation Teams. Define format for identification of transition costs and the methodologies used to create cost estimates. Establish cost tracking and performance measurement criteria and scorecard.	
<b><i>Risk</i></b>	
Medium	
<b><i>Considerations</i></b>	
Defined organizational structure, coordination with all other teams, Legislative appropriation of funds.	
<b><i>Expected Outcome:</i></b>	A detail estimate of the complete incremental transition, performance measurement criteria and a scorecard to monitor performance.
<b><i>Timeframe:</i></b>	12-18 months
<b><i>Cost:</i></b>	\$0/1500 Hours

<b>9. Training and skills development</b>	
<b><i>Description</i></b>	
Identify training needed for users (and related costs) due to changes in the budget, accounting, purchasing or other processes. This includes the spectrum of users or participants from budget development and monitoring to data entry.	
<b><i>Risk</i></b>	
Low	
<b><i>Considerations</i></b>	
Availability of training resources and dedication of time for personnel to receive training.	
<b><i>Expected Outcome:</i></b>	Training plan for all personnel involved in budget and funding process throughout the executive branch.
<b><i>Timeframe:</i></b>	2-4 months
<b><i>Cost:</i></b>	\$0/80 hours

<b>10. Strategy to engage Governor/Legislature/Policy-makers regarding impact and savings</b>
<b><i>Description</i></b>
The Accountable Government Act requires that methodologies for use in making major investment decisions include return on investment and cost-benefit analyses. This act also requires performance measures, targets and identification of auditable data sources. The first step in this process will be development of a base line spend and validation of proposed savings.
This implementation team, with assistance from the Department of Management, will need to develop proposed measures and targets and identify auditable data sources which will be used

to measure the success of the consolidation/centralized model. The team will develop a plan to present the proposed measures, targets and data sources to the Governor and the legislature. Coordination with 7 separate program groups is essential.	
<b><i>Risk</i></b>	
Low	
<b><i>Considerations</i></b>	
<b><i>Expected Outcome:</i></b>	Clear and concise description of required changes, their benefits and the total cost to the state or implementation of recommendations.
<b><i>Timeframe:</i></b>	4-6 months
<b><i>Cost:</i></b>	\$0/200 Hours

### **Cultural Impacts**

- IT cost visibility within departmental budgets
- Competing priorities
- Lack of common definition or understanding of IT cost
- Departmental will resist relinquishing control and additional oversight.
- Resource transfer issues.
- Time reporting systems are difficult to accurately implement. Employee resistance to time reporting, inaccurate reporting, miscoding transactions, all increase as the complexity of accounting system expands.
- Limiting exceptions